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CENTRAL INTELLIGENCE AGENCY

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DOS review(s) completed.

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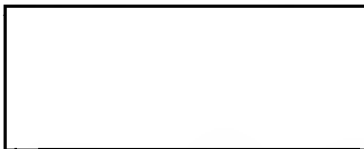
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FAR EAST

4. Peiping reported in unreceptive mood for peace feelers:

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The Indian Ministry of External Affairs has informed US Ambassador Henderson of the opinions of Indian Ambassador Panikkar in Peiping regarding a possible "new peace offer" to Communist China. Panikkar reportedly takes the view that a peace move at this time would not be opportune, as the Chinese "insist that the military situation in Korea is satisfactory and is developing steadily in their favor." Panikkar is also said to believe that Peiping, viewing US proposals for a Japanese peace treaty as "in fact a US-Japanese military alliance against China," would insist that a Korean settlement include "agreeable" arrangements regarding Japan.

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Comment: Panikkar, who is generally sympathetic to Peiping, has often appeared to present his personal views under the guise of Chinese Communist official opinion. The basis of his present views is not known. Peiping has not altered its stated demands for a Korean settlement -- withdrawal of UN forces from Korea, US abandonment of the policy of "neutralizing" Taiwan, and admission of Communist China to the UN -- and the regime is currently intensifying its program for support of Chinese forces in Korea. However, Peiping has not yet indicated publicly that settlement of the Japanese question will be added to its stated demands.

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EASTERN EUROPE

7. Yugoslav Communist Party resolutions indicate liberalization of regime:

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The US Embassy in Belgrade reports that recent resolutions adopted by the Yugoslav Communist Party calling for greater freedom of discussion within the party and for improve-

ment of the judicial system may result in humanizing the regime sufficiently to increase its popular support. The Embassy notes that the resolutions will result in a relaxation of police methods. The Embassy does not believe, however, that they foreshadow any cooperation with opposition groups outside the Communist Party. The consensus of opinion among foreign observers in Belgrade is that the resolutions and speeches were partly inspired by the unpopularity of the regime because of its internal policies and its failure to alleviate the conditions of the people.

Comment: There are various indications that Yugoslav morale has been seriously impaired as a result of the economic crisis, the failure of the regime to improve living standards, and a widespread fear of war. The resolutions indicate that the Communist Party is seriously concerned with lagging Yugoslav morale and that further efforts will be made to make the regime less distasteful to the populace and to Western public opinion. Other measures which the Tito regime has instituted to increase local initiative and widen the base of its popular support have been (1) the decentralization of the government by the abolition of many federal ministries, whose operative functions have been

handed over to the constituent republics; (2) abolition of the State Control Commission, whose enforcement functions have been delegated to workers' councils within individual industrial plants; and (3) liberalization of government agricultural policies by abolishing compulsory deliveries of certain farm products.

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